

# San Francisco Health Service System 2027 Plan Year Rates and Benefits

**Budget and Finance Committee**

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Presented by:

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# Introduction

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## Our Purpose

The San Francisco Health Service System (SFHSS) serves as the employee benefits administrator for the City and County of San Francisco, San Francisco Unified School District, City College of San Francisco, and Superior Court of San Francisco.



We manage a comprehensive array of benefits that enhance the physical, mental, and financial well-being of the members whom we serve.

## Our Accountabilities

- For Plan Year 2027, SFHSS will manage more than \$1.4 billion in premiums.
- We serve more than 139,000 employees, retirees, and their dependents (members).



# Agenda

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- Roles and Responsibilities
- SFHSS Rates and Benefits Timeline
- Rate Development Process: January through June
- Executive Summary
- Healthcare Market Cost Drivers
- What Comprises the Average Monthly Premium
- 10-County Survey Results
- Healthcare Cost Trends
- Request for Proposal (RFP) Strategy
- Health Plans and other Programs
- Requested Action

# Roles and Responsibilities

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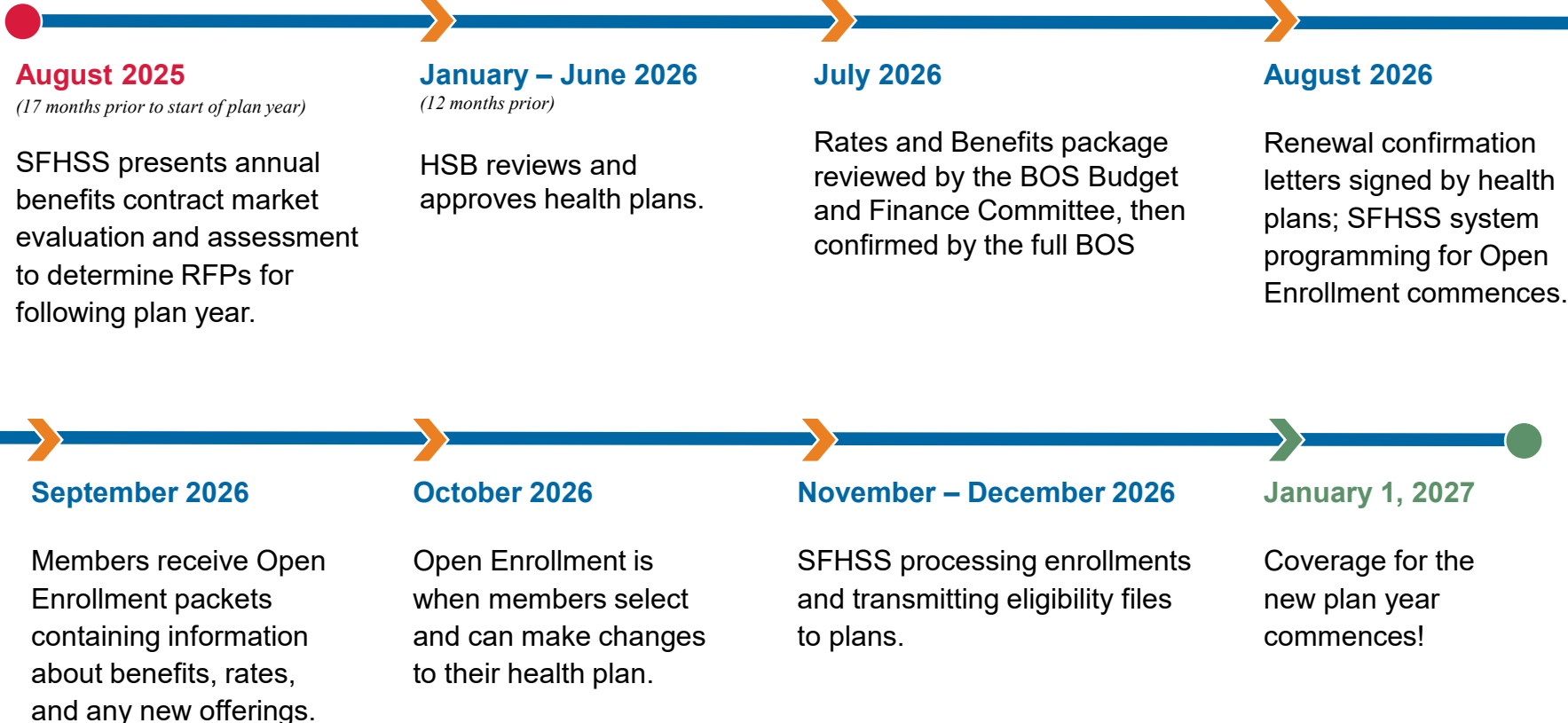
## Health Service System (HSS)

- City Charter (Sec. A8.423) requires the Health Service Board to annually review and set the Rates and Benefits for the upcoming Plan Year for health, dental, vision, life insurance, and LTD.
- SFHSS staff conducts the rate development process and presents the negotiated rates to the Health Service Board (HSB).
- The HSB approved the Rates and Benefits over a series of its meetings on February 12, March 12, April 9, May 14, and June 11, 2026.

## Board of Supervisors (BOS)

- The Rates and Benefits do not become effective until approved by ordinance of the Board of Supervisors with a three-fourths vote.

# SFHSS Rates and Benefits Timeline



# Request for Proposal (RFP) Strategy: August

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Each year, SFHSS conducts a market assessment to identify RFP opportunities. The purpose of the RFP is to ensure that the City and employers receive the best value for the premium spend.

- For PY 2027, SFHSS conducted two RFPs:
  1. Active Employee Dental PPO
  2. Flexible Spending Account (FSA) and COBRA services.
  
- The results for both RFPs showed our current vendors provided the best value for our employer partners and members while minimizing disruption of services.

# Rate Development Process: January through June

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- Baseline Premium Projection Health Plan Cost and Utilization Experience Reviews
- Apply Applicable Reserve Policies
  - Incurred But Not Reported (IBNR)
  - Contingency
  - Rate Stabilization
- Data Comparison Using Industry Trends
  - 10-County Survey
  - AON Health Value Initiative (HVI) Benchmarking Study
  - Supplemental Information
- Plan Renewal Submissions
- Actuarial Analysis-transparency and negotiation position
- Focused Negotiations

# Executive Summary

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## Premium Increase

Due to rising healthcare costs, the aggregate 2027 plan year costs will increase by 10.11%.

## Carrier Status

- Renewing with all incumbent carriers.

## Benefit Design

- Maintaining current benefit design.

# Healthcare Market Cost Drivers

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## Cost of Treatments

- Surging utilization of GLP-1 medications.
- Increased cost of gene therapies.
- High-cost claims are becoming even more expensive

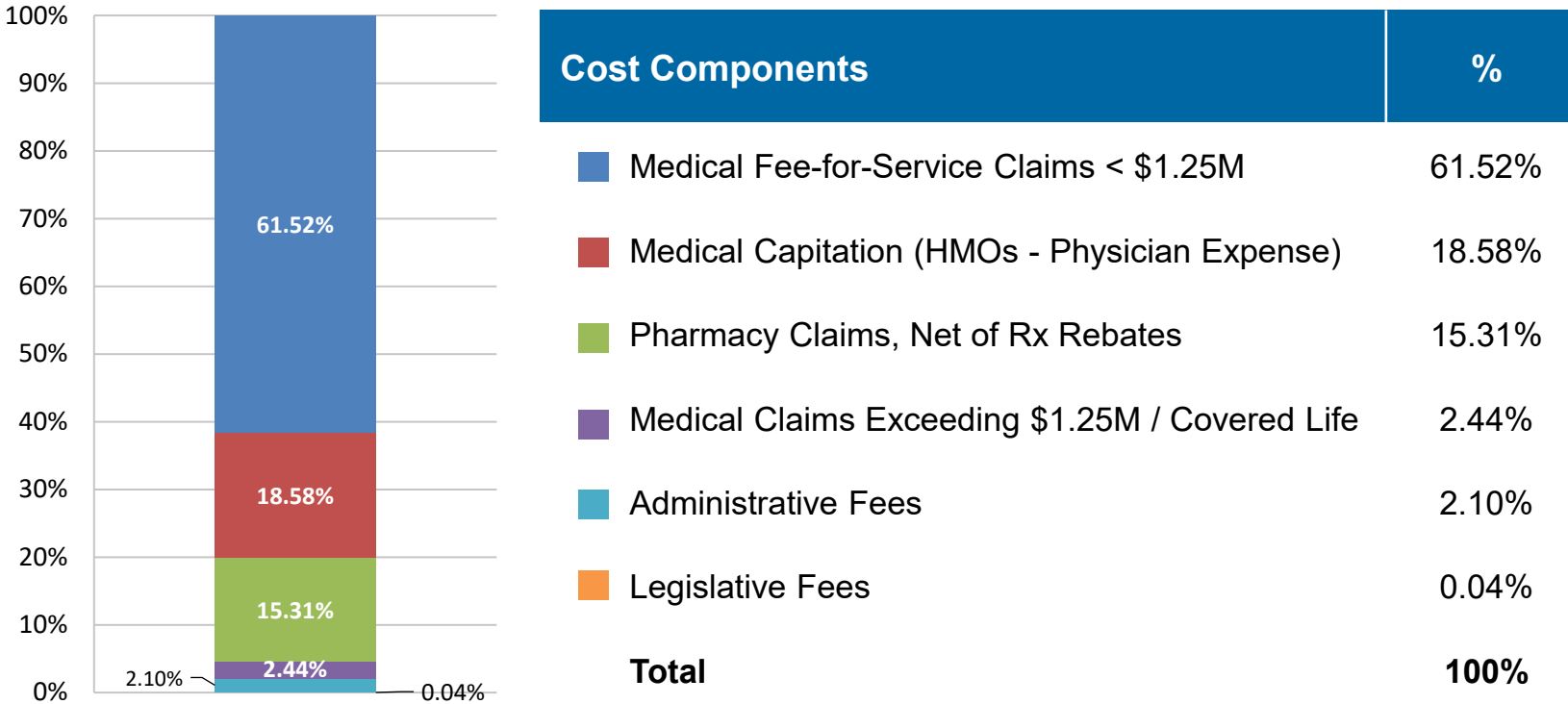
## Provider Inflation

Health Systems consolidations reducing competition.

Post-pandemic increased labor costs for healthcare staff.

# What Comprises the Average Monthly Premium

## Sample 2027 Projected Healthcare Cost Components (Per Employee/Retiree Per Month)\*



\*The cost breakdown based upon Blue Shield of CA Access+ HMO

# 10-County Survey Results

The City Charter requires a survey of the 10 most populous California counties, which is used as the basis for the employer contribution for retiree rates and some union employees.

Based upon the 2026 10-County Survey Results, the average employer contribution for plan year 2027 for employee-only coverage will be \$1,029.76/mo. (9.3% increase from the prior year).

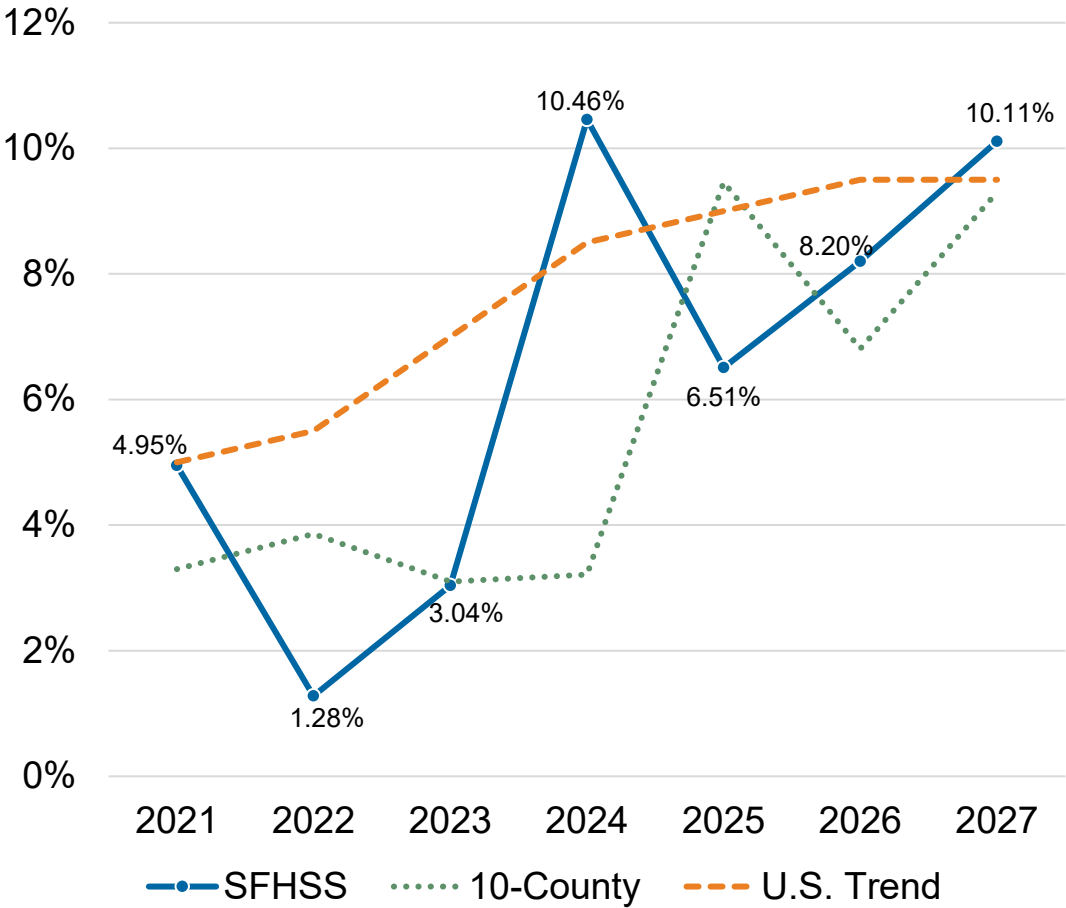


**2026 10-COUNTY SURVEY  
RESULTS FOR  
2027 PLAN YEAR RATES**

SAN FRANCISCO  
HEALTH SERVICE SYSTEM  
Affordable, Quality Benefits & Well-Being

SFHSS.ORG

# Healthcare Cost Trends



- Our annual increases are consistent with the California 10-County (most populous) average benchmark.
- Both the SFHSS and 10-County increases closely match the national average.

# Medical Plans

## SFHSS 5-Year History Medical Rate Changes

Medical Plan Name	2023	2024	2025	2026	2027
Blue Shield CA Trio HMO	5.3%	2.9%	11.8%	9.2%	10.7%
Blue Shield CA Access+ HMO	0.5%	14.4%	8.7%	8.7%	17.6%
Health Net CanopyCare HMO	-10.4%	3.7%	-1.0%	-0.3%	18.4%
Kaiser Non-Medicare HMO	3.9%	12.5%	5.4%	9.9%	7.3%
Blue Shield CA Non-Medicare PPO	7.5%	1.7%	1.3%	0.5%	23.1%
MAPD PPO (UHC 24, BSC 25-27)	4.7%	15.0%	3.1%	4.5%	6.5%
KPSA Medicare HMO	-1.9%	6.2%	8.7%	9.3%	-2.2%

# Other Plans and Programs

## SFHSS 5-Year History Dental, Life, and Disability Rate Changes



Plan Name	2023	2024	2025	2026	2027
DeltaCare USA DHMO - Active	0%	0%	0%	0%	0%
Delta Dental PPO - Active	15.3%	-6.9%	6%	12.4%	3.3%
UHC Dental HMO - Active	0%	0%	0%	0%	0%
DeltaCare USA DHMO - Retiree	-8.4%	9.2%	0%	0%	0%
Delta Dental PPO - Retiree	7.7%	2%	2%	2%	3.2%
UHC Dental HMO - Retiree	0%	0%	0%	0%	0%
Basic Life Insurance	-15%	0%	0%	-15.7%	0%
Long-Term Disability (LTD)	-25%	0%	0%	-28.9%	0%

# Requested Action

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Ordinance approving the San Francisco Health Service System Rates and Benefits Package for Plan Year 2027.

# Thank You!



## SAN FRANCISCO HEALTH SERVICE SYSTEM

The San Francisco Health Service System is honored to serve those who dedicate their careers to providing public service to the residents of our great city.

Caring for the people who care for our community is at the heart of everything we do.